

[12/13/77 – Not Submitted] [CF, O/A 548]

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THE WHITE HOUSE

WASHINGTON

Send

Date: December 13, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jim McIntyre

FOR INFORMATION:

The Vice President
Hamilton Jordan
Charles Schultze
Jack Watson

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Campbell memo dated 12/13/77 re October 1978 Federal
Pay Raise

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 Noon

DAY: Thursday

DATE: December 15, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*file - don't
submit
Campbell letter
to go in Pres's
defense budget
book
you OK?*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

| | |
|---|---------------------------|
| ✓ | FOR STAFFING |
| | FOR INFORMATION |
| | FROM PRESIDENT'S OUTBOX |
| | LOG IN/TO PRESIDENT TODAY |
| | IMMEDIATE TURNAROUND |

| ACTION | FYI | |
|--------|-----|-----------|
| | / | MONDALE |
| | | COSTANZA |
| / | | EIZENSTAT |
| | / | JORDAN |
| | | LIPSHUTZ |
| | | MOORE |
| | | POWELL |
| | / | WATSON |
| / | | McINTYRE |
| / | | SCHULTZE |

| | |
|--|---|
| | ENROLLED BILL |
| | AGENCY REPORT |
| | CAB DECISION |
| | EXECUTIVE ORDER |
| | Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |

| | |
|--|------------|
| | ARAGON |
| | BOURNE |
| | BRZEZINSKI |
| | BUTLER |
| | CARP |
| | H. CARTER |
| | CLOUGH |
| | FALLOWS |
| | FIRST LADY |
| | HARDEN |
| | HUTCHESON |
| | JAGODA |
| | GAMMILL |

| | |
|--|-------------|
| | KRAFT |
| | LINDER |
| | MITCHELL |
| | MOE |
| | PETERSON |
| | PETTIGREW |
| | POSTON |
| | PRESS |
| | SCHLESINGER |
| | SCHNEIDERS |
| | STRAUSS |
| | VOORDE |
| | WARREN |



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

IN REPLY PLEASE REFER TO

YOUR REFERENCE

DEC 13 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: October 1978 Federal Pay Raise

I am concerned to learn that the possibility of a five percent limit on next October's Federal pay adjustment is being discussed as a part of the consideration of the Defense Department budget. I believe such action would be a serious mistake.

When you entered office, labor-management relations in the Federal Government were at an all-time low, largely as a result of the Nixon/Ford Administration's repeated attempts--albeit mostly unsuccessful--to hold Federal pay below private sector comparability. The Federal unions' support for your election was based in large part upon this issue, and upon your specific endorsement of the principle of comparability in setting pay for Federal employees.

One of the first, and most important, tasks I had to undertake upon assuming the Chairmanship of the Civil Service Commission was to try to convince the Federal unions to resume meeting with your Pay Agent. Ray Marshall, Bert Lance, and I were able to accomplish that by assuring them of your commitment to comparability.

In a letter to George Meany, Bert and I spelled out your commitment in the following language:

President Carter is committed to the concept of Federal pay comparability and does not intend to use the alternative plan authority as a means of budgetary control, imposed solely to hold down Federal expenditures. He would consider use of the authority, as envisioned by law, only because of national emergency or economic conditions affecting the general welfare, requiring Presidential initiatives affecting the general economy. Even in such circumstances, should they occur, you may be assured that no final decision to invoke the alternative plan authority will be made without an opportunity for the Pay Council's views to be heard and seriously considered.

Although your Pay Agent has successfully resisted union demands for changes in the way comparability is calculated--closing the time lag

and inclusion of private sector bonuses--we have convinced the unions of the honesty and good faith of your Administration in the conduct of Federal labor relations. A decision at this time to depart from pay comparability would constitute a major setback in our relations with the unions. Among other consequences would be a guarantee of union opposition to the recommendations for improvement in the overall Federal personnel management system that we recently discussed with you.

The suggestions for a pay increase limitation, and for an abandonment of the pay comparability principle, appear to be based on a conviction that its application has resulted in excessive Government pay rates. Such a belief cannot withstand objective analysis. Over the last five years, Federal General Schedule pay has increased 30.6 percent, while the Consumer Price Index has increased 45.7 percent and the Hourly Earnings Index has jumped 41.3 percent.

The concept of comparability has been reexamined and reendorsed any number of times, by a variety of groups, including the previous Administration's President's Panel on Federal Compensation ("Rockefeller Panel") and, most recently, the Federal Personnel Management Project. The Personnel Management Project's task force on compensation was headed by a distinguished private sector pay expert, William D. Conley of Honeywell, Inc., who, after examining the issue of comparability versus "competitiveness," came to the following conclusion:

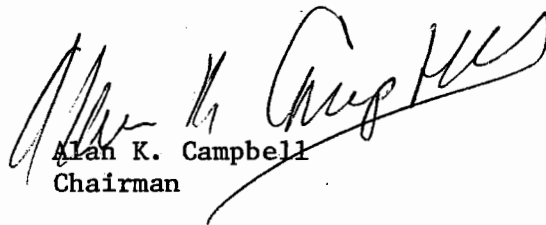
Since 1962, Federal pay comparability has been a matter of settled law, in a conscious and intentional balancing by Congress of the interests of the Nation's taxpayers and of Federal employees. We do not find the argument of any possible short-term cost savings that might accrue by following the principle of "competitiveness" sufficiently compelling to recommend that either the President or the Congress now reconsider its position on comparability. We firmly believe that the comparability concept is the single best, stable, long-term policy guide for Federal civilian pay setting.

I do not mean to suggest that current Federal pay-setting methods could not benefit from further improvement. There are a number of very important changes that the Personnel Management Project has suggested in the area of compensation--most important, perhaps, being the extension of the comparability principle to employee benefits, i.e., the "total compensation comparability" concept--and, with your approval, we will be seeking the necessary legislation for this change next year.

However, if we are to get the legislation needed for this change--and for all of the other Federal personnel reforms we will recommend to you--it will be very important that this Administration not be

perceived as an "enemy" by Federal unions, by the national AFL-CIO, by their friends on the Hill, or by Federal employees in general. I am convinced that a proposal to limit Federal pay below comparability would inevitably alienate these important constituencies, and would eliminate any hope of obtaining union support for, or at least their non-opposition to, our personnel management reforms.

If a decision is to be made to place a limit on pay below what comparability justifies, I would like to discuss this issue with you personally. I am sure Ray Marshall, who is out of the country at the moment, would appreciate the same opportunity.



Alan K. Campbell
Chairman



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 14, 1977

MEMORANDUM FOR: RICK HUTCHESON
FROM: Dale McOmber *[Signature]*
SUBJECT: Campbell Memo re October 1978 Pay Raise

Chairman Campbell's letter and our comments are being inserted in the President's book on appeals to his tentative decisions on Defense issues. We will be discussing the matter with the President on Friday, December 16.

Date: December 13, 1977

MEMORANDUM

FOR ACTION:

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Jim McIntyre

FOR INFORMATION:

The Vice President
Hamilton Jordan
Charles Schultze
Jack Watson

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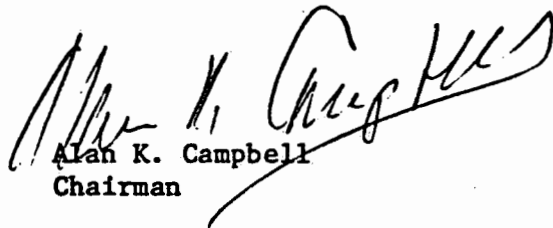
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Alan K. Campbell
Chairman

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

DEC 16 1977

MEMORANDUM FOR THE PRESIDENT

FROM: RAY MARSHALL *Ray*
Secretary of Labor

SUBJECT: October 1978 Federal Pay Raise

Since May 1977, discussions between the President's Pay Agent and the Federal Employees Pay Council have occurred in an environment that, I feel, is conducive to a reasoned procedure for determining federal pay. I now understand that there is some discussion about the possibility of limiting the October 1978 pay adjustment to five percent. This action would, in my judgment, be a major departure from the Administration's commitment to pay comparability and would destroy our credibility with millions of federal employees in relation to pay determination.

I fully support Chairman Campbell's memorandum of December 13 related to this issue. The Pay Council returned to the table because of the Administration's assurance that comparability was the basis upon which discussions would be conducted. The Pay Agent's letter of May 24, 1977, to Mr. Meany emphasized that "President Carter is committed to the concept of Federal pay comparability and does not intend to use the alternative plan authority as a means of budgetary control, imposed solely to hold down Federal expenditures." Our discussions with the Pay Council have been conditioned by this commitment and to deviate from comparability in any material way would, in my judgment, irreparably damage the Administration's image of fairness.

In addition, the Pay Agent has attempted to promote stability, clarity, and consistency in the pay setting process. We assured the Pay Council in our May 24 letter that "... no

final decision to invoke the alternative plan authority will be made without an opportunity for the Pay Council's views to be heard and seriously considered." As further evidence of your desire to lend credibility to the process, you designated me as a member of the Pay Agent by Executive Order 12004 of July 20, 1977. The positive effects of this step would be largely negated by moving away from the concept of comparability.

Finally, as Chairman Campbell noted, the concept of pay comparability has been intensively examined and endorsed by the Personnel Management Project's task force, the "Rockefeller Panel," and many other observers in the Federal sector, academia, and, of course, the Congress.

Therefore, I feel the possibility of imposing a predetermined limit on Federal pay must be subjected to intense scrutiny. It is a decision of immense importance and if seriously considered, I would appreciate an opportunity to personally discuss it with you.